

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY HELSINKI

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USDEL MTN GENEVA

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USMISSION OECD PARIS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MOSCOW

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E.O. 11652: N/A

TAGS: ECON, ETRD, EEWT, GATT, COMECON, XH, FI

SUBJECT: FINNISH TRADE RESTRICTIONS: POSSIBLE DISCRIMINATION IN
FAVOR OF CEMA COUNTRIES

REF: A) STATE 062475; B) HELSINKI 626; C) HELSINKI A-052

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2. PRESS REPORTS INDICATE COMMUSIST-FROM SKDL HAS

AGREED AFTER MEETING WITH PRESIDENT KEKKONEN NOT TO OPPOSE IMPORT DEPOSIT LAW IN PARLIAMENT, IN EXCHANGE FOR A RESOLUTION ON CEMA TRADE. RESOLUTION IS VAGUE, AND LESS THAN SKDL'S INITIAL PROPOSAL, BUT WOULD SEEMINGLY ESTABLISH BASIS FOR PREFERENTIAL TREATMENT FOR TRADE WITH MOST CEMA COUNTRIES (AS WELL AS NUMBER OF OTHERS. NOTABLY WITH UK, WITH WHICH FINLAND HAS LARGE FAVORABLE TRADE BALANCE.)

3. TEXT OF RESOLUTION AS REPORTED IN CENTER PARTY AND SDP NEWSPAPERS, IN EMBASSY TRANSLATION, FOLLOWS:

"SINCE THE AIM OF THE IMPORT DEPOSIT LAW IS TO IMPROVE THE FOREIGN TRADE BALANCE, THE PARLIAMENT ASSUMES THAT WHEN PUTTING THE SYSTEM INTO PRACTICE AND WHEN GRANTING LIBERTIES STATED IN PARAGRAPH 13, POINT 2 OF THE LAW, SPECIAL ATTENTION SHOULD BE GIVEN TO GUARANTEEING UNDISTURBED DEVELOPMENT OF FOREIGN TRADE IN CASES WHEN NO IMBALANCE OCCURS. AT THE SAME TIME IT SHOULD BE SEEN THAT SMALL AND MIDDLE-SIZE IMPORTERS DO NOT HAVE TO FACE UNREASONABLE DIFFICULTIES."

PARAGRAPH 13, POINT 2, IS REPORTED AS FOLLOWS:

"THE COUNCIL OF STATE HAS THE RIGHT TO ORDER, FOR SOME SPECIAL REASON, THAT THE DEPOSIT DOES NOT HAVE TO BE MADE CONCERNING SOME SPECIFIC PRODUCT OR SPECIAL KIND OF GOODS."

4. FINNISH TRADE WITH THE USSR AND POLAND IS IN SUBSTANTIAL DEFICIT AND WITH GDR IN SMALLER DEFICIT (SEE PARAGRAPH 5). RESOLUTION COULD BE INTERPRETED TO DENY BENEFITS OF PARAGRAPH 13, SECTION 2 TO THESE COUNTRIES. ALTERNATIVELY, BILATERAL TRADE ON CLEARING ACCOUNT BASIS COULD BE DEFINED AS NECESSARILY IN BALANCE OVER TIME, AND HENCE IMPORTS FROM USSR & GDR COULD BE EXEMPT FROM DEPOSITS.

(TRADE WITH

POLAND NOT CLEARING ACCOUNT, BUT SETTLED IN U.S. DOLLARS.)

PAYMENTS BALANCE WITH CEMA COUNTRIES (AS OPPOSED TO TRADE BALANCE) ACTUALLY SHOW SURPLUS FOR FINLAND, ACCORDING TO BANK OF FINLAND STATISTICS, REFLECTING MOSTLY ADVANCE AND PARTIAL PAYMENTS BY USSR FOR SHIPS AND MAJOR CONSTRUCTION PROJECTS. THE GDR, RECALLING THE RECENTLY-LIMITED OFFICIAL USE

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SIGNED KEVSOS "FREE TRADE" AGREEMENT WITH FINLAND (REF:C) SUGGESTS THAT THE PROPOSED IMPORT DEPOSIT MEASURES COULD DAMAGE BILATERAL TRADE RELATIONSHIP OF THE TWO COUNTRIES AND HAS POSTPONED INDEFINITELY NEGOTIATIONS ON A PROPOSED 100 MILLION FMK. WOOD-PROCESSING FACTORY TO BUILT BY FINLAND IN THE GDR. THIS DEAL WOULD HAVE GIVEN FINLAND A SUBSTANTIAL SURPLUS IN THIS BILATERAL ACCOUNT

5. GOVERNMENT IS SURELY AWARE THAT DRAWING UP IMPORT DEPOSIT LIST OPENLY SKEWED TO FAVOR CEMA COUNTRIES OR OTHERWISE ADMISTERING IMPORT DEPOSIT SCHEME TO DIS-CRIMINATE IN THEIR FAVOR WOUL DRAW STRONGPROTEST FROM MANY OF FINLAND'S MOST IMPORTANT TRADING PARTNERS, BILATERALLY AND IN SUCH FORA AS GATT, EFTA, EC, AND OECD. WE WILL BE FOLLOWING THIS ASPECT OF NEW SCHEME, ASSUMING IT IS ENACTED ON MARCH 22, VERY CLOSELY.

6. WE WILL ALSO BE SENING IN SHORTLY ADDITIONAL INFORMATION ABOUT FINLAND'S TRADE DISTRIBUTION BY COUNTRY GROUPINGS, AS REQUESTED REFTEL A. REFTEL B PARTIALLY ANSWERS SOME OF QUESTION POSED REFTEL A AND WE ARE PREPARING MORE SPECIFIC ANALYSIS AND COMMENT. AUSTAD

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